

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 SS-15 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 TAR-01 L-02 H-02 IO-10 EA-06 /106 W

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R 071403Z MAY 75

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 9101

INFO AMCONGEN ISTANBUL

LIMITED OFFICIAL USE ANKARA 3590

E.O. 11652: N/A

TAGS: ETRD, EAGR, TU

SUBJECT: CONTINENTAL GRAIN CONTRACT WITH TURKISH AGENCY

REF: STATE 103466

1. INQUIRIES OF OTHER EMBASSIES HERE (BRITISH, BELGIAN, GERMAN, AUSTRALIAN, CANADIAN, FRENCH, AND SWISS) SHOW THUS FAR NO RPT NO OTHER CASE OF TURKISH EFFORTS TO CANCEL EXISTING CONTRACTS BECAUSE OF DROP IN COMMODITY PRICES SINCE SIGNATURE OF RELEVANT CONTRACTS. JAPANESE EMBASSY SAYS IT HAD RECENT PROBLEM WITH STEEL CONTRACTS AND HAS PROMISED GIVE US FURTHER DETAILS TOMORROW. (PENDING FURTHER DETAILS FROM JAPANESE, WE SUGGEST CASE OF STEEL IMPORTS MAY POSSIBLY BE DUE AT LEAST IN PART TO OTHER CAUSES. GOT DURING PAST YEAR PUT PRESSURE ON EREGLI STEEL COMPANY TO CANCEL IMPORT CONTRACTS BECAUSE OF COMPANY'S TIGHT FINANCIAL SITUATION AND EXCESSIVE STOCK LEVELS. THIS EMBASSY AT THE TIME ASSISTED U.S. STEEL WITH REGARD TO ONE SUCH CONTRACT.) MOST LIKELY, CONTINENTAL GRAIN (FINAGRAIN) CONTRACT, BOTH BECAUSE OF ITS SIZE AND SIGNIFICANT DROP IN WHEAT PRICE AFTER CONTRACT SIGNATURE, WOULD BE NUMBER ONE TARGET FOR GOT EFFORTS TO SAVE FOREIGN LIMITED OFFICIAL USE

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EXCHANGE AND REDUCE PRESSURES ON DOMESTIC PRICE LEVELS, AS WELL

AS TO SERVE DOMESTIC POLITICAL PURPOSES. (STEEL CONTRACTS MAY ALSO BE LEADING TARGETS BECAUSE OF THEIR SIZE.) BUNGE AND TRADEX HAVE CONTRACTS WITH TMO TO DELIVER 150,000 TONS OF WHEAT AND PRESUMABLY SUBJECT TO SAME PRESSURES AS CONTGRAIN.

2. CONTGRAIN SENIOR MARKETING MANAGER FOR EUROPE (TURION) ARRIVED ANKARA MAY 7 TO CONSIDER FURTHER ACTION HERE. FYI--- CONTGRAIN REP KOHLE WHO RETURNED HERE MAY 6 TOLD ECON COUNSELOR THAT CONTGRAIN MAY RPT MAY BE PREPARED TO NEGOTIATE LOWER PRICE WITH TMO. KOHLE SAID COMPANY LAWYERS ARE CONFIDENT THAT THEY WOULD GET JUDGMENT IN FAVOR OF CONTGRAIN IN ARBITRATION PROCEEDINGS. HOWEVER, IT MIGHT BE VERY COSTLY AND TROUBLESOME TO ENFORCE JUDGMENT WHICH MIGHT REQUIRE PROCEEDINGS AGAINST TMO CARGOES AND ASSETS IN VARIOUS COUNTRIES. ALSO, KOHLE INDICATED SOME FEAR THAT OTHER WHEAT SUPPLIERS MIGHT BE HAPPY TO PICK UP CONTRACT TO SUPPLY TMO'S REQUIREMENTS IF CONTGRAIN IS ELIMINATED. KOHLE SAID, HOWEVER, LOWERING OF PRICE WOULD FORCE COMPANY TO ACCEPT SIZEABLE FINANCIAL LOSS. END FYI.

3. SEPARATE TELEGRAM WILL COVER AMB'S DISCUSSION OF THIS SUBJECT WITH FOREIGN MINISTER ON MAY 7.
MACOMBER

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